

ORIGINAL  
FILE

Before the  
Federal Communications Commission  
Washington, D.C. 20554

DEC 24 1992

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of )

Inquiry into Encryption Technology )  
for Satellite Cable Programming )

PP Docket No. 92-234

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DEC 24 1992

FCC - MAIL ROOM

Comments of Channel Master  
Division of Avnet, Inc.

Donald Berg  
Vice President  
Channel Master  
Division of Avnet, Inc.  
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December 22, 1992

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The following comments are offered in response to ¶ III. 12 of the above inquiry in which the Commission states:

"...We seek comment on the significance of this competition, in particular, on the extent to which there are differences in the price, terms, or conditions of sale between General Instrument Corporation (GIC) and Channel Master (CM)..."

**1. Background on Channel Master**

Channel Master (CM) has been a supplier of television antennas and electronics since 1949 and sells its products in North and South America, Europe, the Middle East, Southeast Asia, Australia and New Zealand.

CM entered the home satellite market in 1981, producing complete home systems, including dish, receiver, LNB, feed and cables. CM sells through its extensive network of independent distributors in the U.S. and Canada.

In 1985, CM was licensed by the forerunner of General Instrument Corporation (GIC) to manufacture and market VideoCipher descrambler modules. CM commenced module production in 1986 and has sold almost one million modules to date.

CM is a division of Avnet, Inc., which is the world's largest distributor of electronic components and computer

products for industrial and military customers with sales in 1991 of \$1.7 billion.

## **2. Pricing in today's "Open Distribution" marketplace**

Prices for CM descrambler modules are based on quantity of each shipment. Prices range from \$331 for 1,700 units to \$338 for shipments of 100 units, cash-in-advance.

(CM no longer offers Net 30 day billing but offers a financing arrangement through Chrysler First Commercial Corp with buyer paying cost of credit. CM sales to IRD licensees of GIC were all on a cash-in-advance basis. Consequently, for the new "open distribution" market, CM eliminated its Net 30 pricing.)

This compares with GIC prices of \$336, Net 30 with 1.5% cash-in-advance discount, with minimum order amount of 1,660 units.

## **3. CM Module Sales**

During each of the six years that CM has been offering its modules to GIC licensees, it has achieved substantial sales volume. There were periods when CM estimated its sales at over 65% of industry sales (excluding modules used by GIC in its own IRDs).

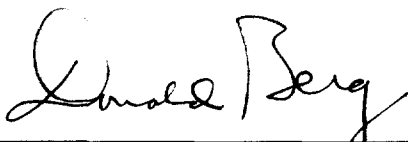
The following companies purchased substantial amounts of their requirements from CM: Uniden, Echosphere, R.L. Drake, Tee-Comm, Houston Tracker Systems, Panasonic, STS Enterprises, Toshiba America, Zenith, Winegard.

Presently, CM estimates that more than half of today's modules sales are Channel Master-brand. Yet, we sometimes are asked why CM doesn't have even lower prices. CM's answer is the same as it's been over the years:

1. We believe CM modules are as good or better than competition, based on customer reports.
2. CM provides services not offered by GIC both in shorter lead-time and faster warranty repair turn-around time.
3. Underselling GIC might bring CM some additional marginal business but in our view, could not return enough profit to offset the reduced profit on sales to CM's large existing customer base.

This is as true today as it has been over the last six years. CM's current multiple price and lower quantity price schedule appears to be achieving CM's marketing goals, at least for now. If CM's share-of-market suffers, CM will make the necessary sales moves to allow it to continue to enjoy its substantial module sales and profits.

Copies of CM Module Price List is attached.

  
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Donald Berg  
Vice President  
Channel Master Division of Avnet, Inc.

# **Channel Master**

**Division of Avnet, Inc.**

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## **IRD VCRS Descrambler Modules**

**Open Module Distribution Program  
Distributor Price List  
September 28, 1992**

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quantity	wire transfer before shipment	CHRYSLER FIRST COMMERCIAL CORP	
		30 days	30-60 days
100 & up	338.00	343.10	345.60
250 & up	336.00	341.00	343.60
500 & up	334.00	339.00	341.50
1,000 & up	332.00	337.00	339.50
1,700 & up	331.00	336.00	338.40

**FOB: Smithfield, NC**

<b>Master</b>	<b>Model 6416S</b>	<b>Single-packs</b>	<b>8 units</b>	<b>22 lbs 2 oz</b>
<b>carton:</b>	<b>Model 6416</b>	<b>OEM-pack</b>	<b>5 units</b>	<b>11 lbs 4 oz</b>

**This Price List is offered in conjunction with Channel Master  
TERMS & CONDITIONS OF SALE dated April 9, 1992.**

### **Wire transfers to:**

**First National Bank of Chicago, Chicago, IL  
Credit Avnet, Inc. on behalf of Channel Master**

**ABA # 071 000 013  
A/C # 59-37 027**